

# ***Update on Tax Increment Development Districts***

Presented to the  
Revenue Stabilization and Tax Policy Committee  
August 25, 2011  
Thomas Clifford, Policy and Research Director  
N.M. Taxation and Revenue Department

## ***TIDD Statutes***

- 2006 “Tax Increment for Development Act” to create a financing mechanism for public infrastructure to support economic development.
- Governing body of the county or municipality approves a TID Plan.
- If approved by owners of 50% of the property the governing body may establish a TIDD, OR
- Governing body may establish on its own if need identified.

## ***TIDD Criteria***

- Must serve the interests of the owners and residents of the district and also those of the county or municipality
- Support governing body's efforts in job creation, workforce housing, public school development and redevelopment of underdeveloped areas
- Includes innovative planning techniques, sustainable development, and contributes to long-term planning goals of the governing body

## ***TIDD GRT Increment***

- Available for debt obligations of the TIDD
- Eligible Municipal increments:
  - Muni GRT, Muni environmental services GRT, Muni infrastructure GRT, Muni capital outlay GRT, Muni regional transit GRT, Muni share of state's GRT (1.225%), Food & medical deduction hold harmless payments
- Eligible County increments:
  - County GRT, County environmental services GRT, County infrastructure GRT, County Capital Outlay GRT, County Regional Transit GRT, County Food & Medical deduction hold harmless payments
- State GRT as approved by the Board of Finance

## ***TRD Role in TIDD Administration***

TRD does not evaluate the feasibility or compliance of Tax Increment Developments with most provisions of the statute

TRD's role is to:

- Establish location codes for TIDDs with approved State or local gross receipts tax dedications;
- Collect gross receipts tax from businesses operating in a TIDD; and
- Distribute gross receipts revenue dedicated to a TIDD to the TIDD's bond account.

## ***TRD Notification Deadlines***

- Formation of district
  - Public hearings
  - Approval of formation, copy of resolution
- Approval of Plan – if plan has GRT increment
- Approval of dedication of a GRT increment
  - Board of Finance (State increment)
  - Local government
- Issuance of bonds
  - Copy of resolution
  - Approval by legislature
- District contact and distribution information

## ***Mesa del Sol TIDD Increment***

- The Mesa del Sol development began receiving gross receipts tax increment distributions January 1, 2008
- Mesa del Sol receives 75% of the State's GRT increment and 67% of those options dedicated by the city
- Dedicated GRT increments:
  - 75% of State GRT
  - 67% of 0.8125% of muni option taxes
  - 67% of 1.225% muni share of state GRT
  - 100% of 0.1875% County option taxes
- Total TIDD share of revenue at location = 64.0%
- State's contribution of TIDD revenue = 65.3%

## ***Downtown Las Cruces TIDD***

- TIDD began receiving gross receipts tax increment January 1, 2009
- Current GRT increment dedications:
  - 75% of State GRT
  - 75% of 1.5625% of muni option taxes
  - 75% of 1.225% muni share of state GRT
  - 75% of County 0.125% of county option taxes
- Total TIDD share of GRT increment in district = 67.6%
- State's contribution is 57.2% of TIDD revenue
- Covers existing businesses; therefore, it has non-zero "base gross receipts taxes" (see "Technical Issues")
- In the first year, distributions were calculated based on an assumed growth rate. Since then the actual base year period amount has been used to calculate the base amount.



## ***Winrock/Quorum TIDD***

- TIDD distributions began July 1, 2009
- The project is divided into three districts, two Winrock Town Center districts, and Quorum at ABQ Uptown
- Covers an existing set of businesses; therefore, it has non-zero “base gross receipts taxes” (see “Technical Issues”)
- Winrock Town Center (#1) dedicated increments:
  - 57% of State’s GRT
  - 70% of .5625% of muni option taxes
  - 70% of 1.225% muni share of state GRT
  - 67% of 0.4375% of county option taxes
- Total TIDD share of GRT increment = 53.8%
- State’s contribution is 59% of TIDD revenue

## ***Winrock/Quorum TIDD (cont.)***

Winrock Town Center (#2) dedicated increments:

- 70% of State's GRT
- 70% of 1.0625% of muni option taxes
- 70% of 1.225% muni share of state GRT
- 67% of 0.4375% of county option taxes
- Total TIDD share of GRT increment = 66.0%
- State's contribution is 59% of TIDD revenue

## ***Winrock/Quorum TIDD (cont.)***

Quorum at ABQ Uptown dedicated increments:

- 60% of State's GRT
- 70% of 0.5625% of muni option taxes
- 70% of 1.225% muni share of state GRT
- 67% of 0.4375% of county option taxes
- Total TIDD share of GRT increment = 55.5%
- State's contribution is 60.2% of TIDD revenue

## ***Village at Rio Rancho TIDD***

- TIDD distributions began July 1, 2010
- Dedicated GRT increments:
  - 0% of State GRT
  - 70% of 1.375% of muni option taxes
  - 70% of 1.225% muni share of state GRT
  - 0% of county option taxes
- Total TIDD share of all GRT increment = 24.5%
- State's contribution is 0% of TIDD revenue

## ***FY11 TIDD Distributions***

	<b><u>Total</u></b>	<b><u>State</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>
Las Cruces TIDD	\$2,318,495	\$1,277,849	\$901,966	\$138,680
Mesa Del Sol TIDD	\$885,051	\$585,184	\$299,867	\$0
Quorum at ABQ Uptown	\$497,774	\$277,333	\$186,829	\$33,612
Village at Rio Rancho	\$106,617	\$0	\$106,617	\$0
Winrock Town Center #1	\$2,813	\$1,556	\$1,059	\$198
<b>Total</b>	<b>\$3,810,750</b>	<b>\$2,141,922</b>	<b>\$1,496,339</b>	<b>\$172,490</b>
 <b>FY10 Totals</b>	 <b>\$1,370,555</b>	 <b>\$436,684</b>	 <b>\$835,948</b>	 <b>\$97,923</b>

## ***FY11 TIDD Distributions by Source***

### **Percent of TIDD Revenue by Dedication Source**

	<b><u>State</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>
Las Cruces TIDD	55%	39%	6%
Mesa Del Sol TIDD	66%	34%	0%
Quorum at ABQ Uptown	56%	38%	7%
Village at Rio Rancho	0%	100%	0%
Winrock Town Center #1	55%	38%	7%

## ***Technical Issues***

- “Base gross receipts taxes” must be determined by an estimate which is difficult to develop before any taxpayer reporting from the district
- Instead, they could be estimated from actual receipts in the first year a district has a dedicated gross receipts tax increment
- This approach has been implemented with the Las Cruces TIDD
- Statutory references to municipal and county gross receipts taxes that can be dedicated to a TIDD are obsolete local option taxes and others are not currently listed

## ***Administrative Issues***

- TRD has spent over \$500,000 to track and distribute TIDD revenue. TIDD boards or developers should reimburse these expenses
- Implementation of new increments after TIDD is established – this is the recent issue we had with Alb. & Rio Rancho TIDDs
- Incorporate TIDD deadline that are not specified in statute (see attached document)
- Amended resolutions are not always provided to the Department so beneficiaries aren't receiving expected amounts.
- Obtaining necessary and timely information to process distributed revenue, e.g. federal ID# for the TIDD; contact information
- Errors are frequently made in taxpayer reporting